

2020-2021  
ENDOWMENT  
REPORT

FOUNDATION  
est. 1961



>85%

OF STUDENTS RELY ON  
FINANCIAL ASSISTANCE

\$26.3M

TOTAL SPENDING  
AVAILABLE TO OSU IN FY21

26.4%

INVESTMENT  
RETURN

*uniting donor and university passions and priorities to achieve excellence*

## YOUR IMPACT

Thank you! Your investment allows OSU to continue impacting the world by providing a quality education to leaders of tomorrow. Endowed gifts are vital to OSU's long-term success because they provide a consistent, reliable source of support each year. Last year, OSU received \$26.3 million in spending from endowments – thanks

to our dedicated donors. As OSU's endowment grows, so does our ability to promote knowledge, enrich lives and stimulate economic development. Our students and faculty rely on your generous support to advance OSU's land-grant mission through teaching, research and outreach. Together, we are creating a brighter ORANGE future.

### TOTAL ENDOWMENT IN MILLIONS | FY12 - FY21



# \$813.9M

TOTAL ENDOWMENT ON JUNE 30, 2021

FY20	\$648.5M
FY19	\$642.5M
FY18	\$642.9M
FY17	\$586.7M
FY16	\$545.5M
FY15	\$581.4M
FY14	\$579.4M
FY13	\$517.2M
FY12	\$452.2M

FY21 reflects pre-audited amounts

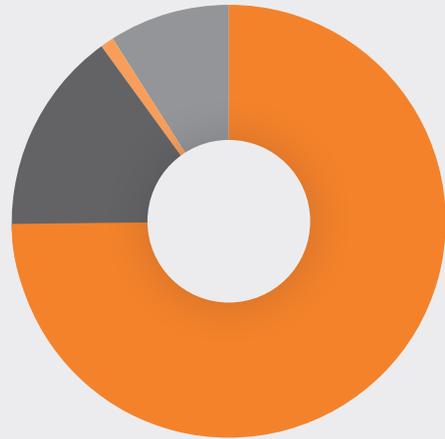
# \$26.3M

TOTAL SPENDING AVAILABLE TO OSU IN FY21

# 3,747

TOTAL NUMBER OF ENDOWMENTS

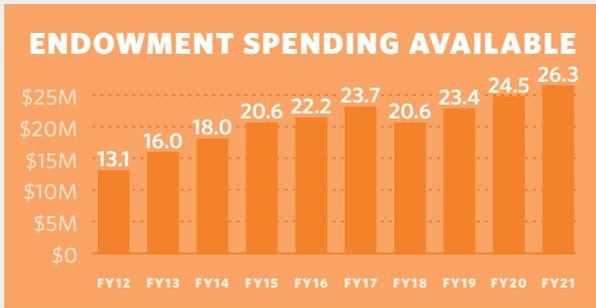
#### BY AREA:



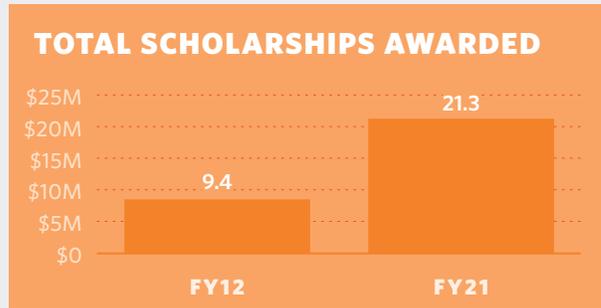
- STUDENT SUPPORT ..... 75%
- FACULTY & RESEARCH ..... 15%
- FACILITIES ..... 1%
- PROGRAM OPERATIONS ..... 9%

{    7,389    }

**STUDENTS BENEFITED FROM PRIVATE SCHOLARSHIP SUPPORT IN FY21**



A goal of the Pooled Investment Fund is to achieve investment performance that supports stable annual spending policy distributions to OSU. The spending policy amount is reviewed regularly by the Investment Committee and approved by the Foundation Board of Trustees. The policy was revised in FY17 with changes effective in FY19. For more information visit [OSUgiving.com/endowments](http://OSUgiving.com/endowments).



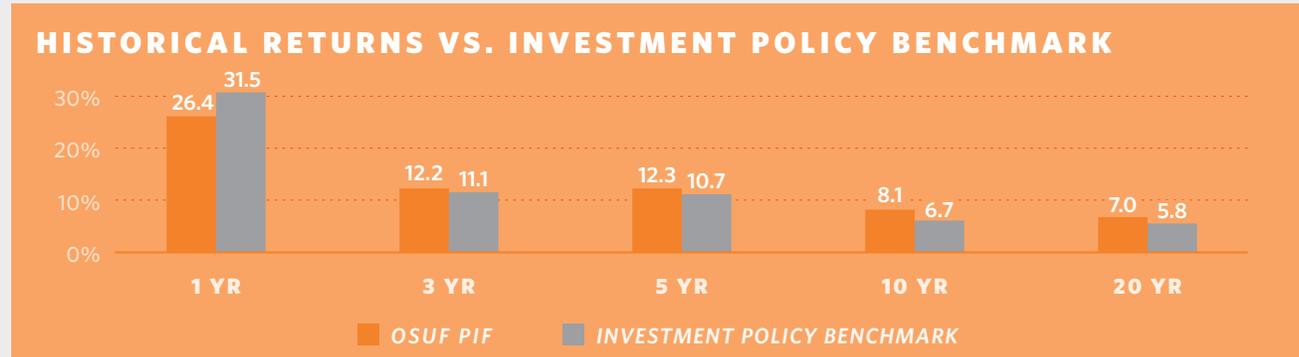
Scholarships help offset the increasing cost of higher education and provide hope for a brighter future to students across the OSU System. This graph represents the increase in OSU scholarships awarded over the past decade. Need-based scholarships remain the university's top fundraising priority. To learn more visit [OSUgiving.com](http://OSUgiving.com).



## PERFORMANCE

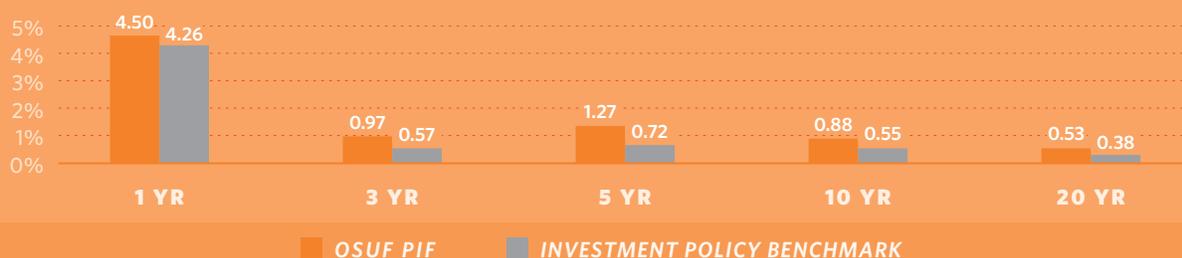
Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF). The OSU Foundation Board of Trustees and its Investment Committee have adopted an investment strategy to preserve the long-term purchasing power of the endowments while prudently managing risk. The portfolio is overseen and managed by Multilateral Endowment Management Company (MEMCO), which the Board of Trustees established in June 2019 to manage the OSU Foundation's investments. The PIF

returned 26.4% in FY21, amidst one of the strongest bull markets in history. MEMCO and the Investment Committee remain committed to maintaining a diversified portfolio that exhibits significantly less risk than global equity markets. It is our view that a properly constructed, risk-controlled portfolio is able to achieve long-term equity-like returns with less risk of significant drawdowns, ultimately providing consistent support to Oklahoma State University.



The Investment Policy Benchmark (IPB), which is approved by the Investment Committee, is a passive, non-investable portfolio representative of the exposures and risk level in the PIF and is used to measure the value added by active management. In FY 2021, the PIF returned 26.4%, trailing the Investment Policy Benchmark by 5.1%. Underperformance was primarily due to an underweight to public U.S. equities, which outperformed international and emerging markets, despite all-time high U.S. equity valuations. Although FY21 was a challenging year on a relative basis, the PIF return far exceeded the spending needs of the University, and active management has delivered 1.4% of annualized outperformance versus the IPB over the past ten years. Based on preliminary data, the median endowment returned 28.8% for FY21, making this only the second year since inception of the OSUF Investment Office (now MEMCO) that the PIF has finished below median. The PIF remains near the top quartile over the past three years and comfortably within the top quartile over the past five years, and we continue to focus on our primary goal of meeting the needs of OSU over the long-term.

## HISTORICAL SHARPE RATIOS VS. INVESTMENT POLICY BENCHMARK



While absolute returns are important, it is also appropriate to consider the amount of risk taken to achieve those returns. Thus, the Investment Committee and MEMCO regularly measure the Sharpe ratio, which indicates the amount of return produced for each unit of risk taken. As shown in the graph above, the PIF continues to generate superior risk-adjusted returns relative to the IPB.

## ASSET ALLOCATION BY STRATEGY JUNE 30, 2021

Allocations	6/30/21	Neutral	(Under)/Over
Fixed Income & Cash	8.6%	10.0%	-1.4%
Relative Value Hedge Funds	12.4%	15.0%	-2.6%
<b>Total Capital Preservation</b>	<b>21.0%</b>	<b>25.0%</b>	<b>-4.0%</b>
Real Assets	4.5%	5.0%	-0.5%
Directional Hedge Funds	19.9%	15.0%	4.9%
Long-Only Equities	20.3%	35.0%	-15.8%
Private Equity	33.9%	20.0%	13.9%
<b>Total Capital Appreciation</b>	<b>78.5%</b>	<b>75.0%</b>	<b>3.5%</b>
Portfolio Hedge	0.5%	0%	0.5%

Following the COVID-driven selloff in March 2020, FY21 was marked by a strong and swift recovery, with equity markets fully recapturing those losses and surging to new all-time highs. This was largely driven by aggressive fiscal and monetary policy, with further support from a stronger-than-expected earnings recovery, as lockdowns have subsided, a majority of U.S. adults have been vaccinated, and many businesses have re-opened. However, despite the accelerated recovery, global equity – especially U.S. equity – market prices have steadily outpaced earnings growth, with U.S. equity valuations reaching new all-time highs in May 2021. Given concerns about unsustainable valuations, MEMCO implemented an equity tail hedge during FY21. The hedge is structured in a highly capital efficient and cost-effective manner, allowing the PIF to remain fully invested and capture a meaningful part of any remaining upside, while providing significant protection in the event of a major correction, thereby maximizing our ability to meet the University's spending needs in a wide range of market outcomes.

Please see the back of your endowment reports for a glossary of terms.



### FOR INVESTMENT INFORMATION PLEASE CONTACT:

**Ryan Tidwell**

Chief Executive Officer and Chief Investment Officer  
Multilateral Endowment Management Company  
rtidwell@memco-invest.com | 405.385.3146

